

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CHIKAMING TOWNSHIP	County BERRIEN
Fiscal Year End 3/31/07	Opinion Date 6/26/07	Date Audit Report Submitted to State 8/9/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) HUTTER & ASSOCIATES, P.C.		Telephone Number (219) 874-6770		
Street Address 330 Commerce Square		City Michigan City	State IN	Zip 46360
Authorizing CPA Signature 		Printed Name James R. Hutter, CPA		License Number 1101008940

CHIKAMING TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL STATEMENTS
With Supplementary Information
for the year ended March 31, 2007

HUTTER & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CHIKAMING TOWNSHIP
Berrien County, Michigan

March 31, 2007

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MANAGEMENT'S DISCUSSION and ANALYSIS



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Jeanne Dudeck, *Supervisor*
Betsy Bohac, *Clerk*
Dorothy Simmons, *Treasurer*
Jack Gibson, *Trustee*
William Marske, *Trustee*

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Chikaming Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Chikaming Township for the fiscal year ended March 31, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS:

The Township's combined net assets increased 2.4% from a year ago from \$15,185,913 to \$15,543,791. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$315,453 (6.1%) during the year. The business-type activities experienced an increase in net assets of \$42,425 (0.4%).

OVERVIEW OF THE FINANCIAL STATEMENTS:

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Chikaming Township's basic financial statements are comprised of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The Government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes).

Both of the Government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Chikaming Township include general government, public safety, public works and the Park Commission. The business-type activities are the water and sewer systems.

The Government-wide financial statements can be found on pages 3 to 5 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Chikaming Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories:

Governmental Funds:

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. However, unlike the Government-wide financial statements, Governmental Fund financial statements focus on current resources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the Governmental Funds and governmental activities.

Chikaming Township maintains two individual Governmental Funds. Information is presented separately in the Governmental Fund balance sheet and in the Governmental Fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Building Inspection Fund (Special Revenue Fund), which are considered major funds.

Chikaming Township adopts an annual appropriated budget for the major funds. A budgetary comparison statement has been provided for the General Fund and the Building Inspection Fund to demonstrate compliance with the budget.

The basic Governmental Funds can be found on pages 6 to 9 of this report.

Proprietary Funds:

The Township maintains two Proprietary Type Funds; the Water Fund and the Sewer Fund. These Enterprise Funds are used to report the same functions presented as business-type activities in the Government-wide financial statements.

The Proprietary Funds provide the same type of information as the Government-wide financial statements, only in more detail. The Proprietary Funds financial statements provide separate information for the Water and Sewer Funds, which are considered to be major funds of Chikaming Township.

The basic Proprietary Funds can be found on pages 10 to 14 of this report.

Fiduciary Fund:

The Fiduciary Fund is used to account for resources held for the benefit of parties outside the Township. Fiduciary Funds are not reflected on the Government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for Fiduciary Funds is much like that used for the Proprietary Funds.

The basic Fiduciary Fund can be found on page 15 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

The Notes to Financial Statements can be found on pages 16 to 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The first table presented below is a summary of the Government-wide statement of net assets for Chikaming Township. As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. As of March 31, 2007, the Township's net assets exceeded liabilities by \$15,543,791.

A large portion of Chikaming Township's net assets (51%) reflects its investment in capital assets (e.g., land, buildings, equipment and utility systems), less any related debt used to acquire those assets that is still outstanding. Chikaming Township uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CHIKAMING TOWNSHIP
SUMMARY OF STATEMENT OF NET ASSETS
as of March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$1,154,267	\$ 7,045,724	\$ 8,199,991
Capital assets	<u>4,491,942</u>	<u>5,528,373</u>	<u>10,020,315</u>
Total assets	<u>5,646,209</u>	<u>12,574,097</u>	<u>18,220,306</u>
Long-term liabilities outstanding	145,230	2,149,746	2,294,976
Other liabilities	<u>14,772</u>	<u>366,767</u>	<u>381,539</u>
Total liabilities	<u>160,002</u>	<u>2,516,513</u>	<u>2,676,515</u>
Net assets:			
Invested in capital assets, net of related debt	4,491,942	3,378,627	7,870,569
Restricted	30,372	1,805,871	1,836,243
Unrestricted	<u>963,893</u>	<u>4,873,086</u>	<u>5,836,979</u>
Total net assets	<u>\$5,486,207</u>	<u>\$10,057,584</u>	<u>\$15,543,791</u>

A portion of Chikaming Township's net assets (11.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets (\$5,836,979) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year ended March 31, 2006.

CHIKAMING TOWNSHIP
SUMMARY OF CHANGES IN NET ASSETS
for the year ended March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 473,075	\$ 1,813,160	\$ 2,286,235
General revenues:			
Property taxes	726,339	-	726,339
State-shared revenues	254,931	-	254,931
Interest and rentals	63,861	154,205	218,066
Transfers - internal activities	254,000	(254,000)	-
Gain from Joint Venture	-	20,705	20,705
Grant income	9,386	-	9,386
Other	30,759	-	30,759
Total revenues	<u>1,812,351</u>	<u>1,734,070</u>	<u>3,546,421</u>
Expenses:			
General government	371,182	-	371,182
Public safety	1,012,211	-	1,012,211
Public works	48,413	-	48,413
Park Commission	65,092	-	65,092
Public utility funds	-	1,691,645	1,691,645
Total expenses	<u>1,496,898</u>	<u>1,691,645</u>	<u>3,188,543</u>
Changes in net assets	315,453	42,425	357,878
Net assets, beginning of year	<u>5,170,754</u>	<u>10,015,159</u>	<u>15,185,913</u>
Net assets, end of year	<u>\$5,486,207</u>	<u>\$10,057,584</u>	<u>\$15,543,791</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds:

The focus of Chikaming Township's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, the unrestricted fund balance of the General Fund was \$1,044,534.

The fund balance in the General Fund decreased by \$488,026 during the current fiscal year. The key factor for this decrease was the expenditure for capital improvements of \$1,175,004, which includes construction and equipment costs of the new Public Safety Building and the purchase of major fire equipment.

Business-type activities increased Chikaming Township's net assets by \$42,425. Included in that amount were fund transfers of \$254,000 to the General Fund to assist with the construction costs of the Public Safety Building.

GENERAL FUND BUDGETARY HIGHLIGHTS:

There were no differences between the original and final amended budgets for expenditures. Actual expenditures were generally comparable (within 1%) to budgeted amounts in the aggregate.

Actual revenues compared favorably to budget, providing \$151,984 more than anticipated in a variety of revenue categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION:

Capital Assets:

Chikaming Township's investment in capital assets for its governmental and business-type activities as of March 31, 2007 amounted to \$10,020,315 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and utility systems.

Long-Term Debt:

At the end of the current fiscal year, Chikaming Township had total bonded debt outstanding of \$2,200,000. The debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) from the Water Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

When determining the budget for the next fiscal year 2007-2008, the following factors were considered:

1. The State of Michigan is estimating that revenue-sharing will decrease compared to the previous year.
2. Property tax revenue is estimated to increase 5% over last year.
3. All other estimates will be based on prior year actual activity.

REQUESTS FOR INFORMATION:

This financial report is designed to provide a general overview of Chikaming Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or additional financial information should be addressed to:

Chikaming Township Center
13535 Red Arrow Highway
P.O. Box 40
Harbert, Michigan 49115
(269) 469-1676.

HUTTER & ASSOCIATES, P.C.

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the
Township Board
Chikaming Township
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chikaming Township (the "Township") as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chikaming Township as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (pages i through viii) and the supplementary information (pages 35 through 37) are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The accompanying supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hutter & Associates, P.C.

June 26, 2007

CHIKAMING TOWNSHIP
GOVERNMENT-WIDE
STATEMENT OF NET ASSETS

as of March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$1,059,922	\$ 3,620,663	\$ 4,680,585
Investments	-	203,519	203,519
Inventory, at cost	-	101,623	101,623
Receivables, net	45,828	372,006	417,834
Internal balances	34,450	-	34,450
Due from other governments	-	26,850	26,850
Prepaid expenses	14,067	5,433	19,500
Equity investment	-	2,685,816	2,685,816
Capital assets, net	4,491,942	5,528,373	10,020,315
Other assets	-	29,814	29,814
Total assets	<u>5,646,209</u>	<u>12,574,097</u>	<u>18,220,306</u>
Liabilities:			
Accounts payable	14,772	170,641	185,413
Internal balances	-	31,198	31,198
Other payables	-	164,928	164,928
Long-term debt:			
Due within one year	13,558	180,000	193,558
Due in more than one year	<u>131,672</u>	<u>1,969,746</u>	<u>2,101,418</u>
Total liabilities	<u>160,002</u>	<u>2,516,513</u>	<u>2,676,515</u>
Net assets:			
Invested in capital assets, net of related debt	4,491,942	3,378,627	7,870,569
Restricted for:			
Debt service	-	1,805,871	1,805,871
Capital expenditures	16,305	-	16,305
Other items	14,067	-	14,067
Unrestricted	<u>963,893</u>	<u>4,873,086</u>	<u>5,836,979</u>
Total net assets	<u>\$5,486,207</u>	<u>\$10,057,584</u>	<u>\$15,543,791</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
for the year ended March 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operational</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Governmental activities:				
General government	\$ 365,364	\$ 274,218	\$30,759	\$ -
Public safety	1,012,211	198,857	-	-
Public works	48,413	-	-	-
Park Commission	65,092	-	-	9,386
Interest on long-term debt	5,818	-	-	-
Total governmental activities	<u>1,496,898</u>	<u>473,075</u>	<u>30,759</u>	<u>9,386</u>
Business-type activities:				
Water	1,121,123	1,301,266	-	-
Sewer	570,522	511,894	-	-
Total business-type activities	<u>1,691,645</u>	<u>1,813,160</u>	<u>-</u>	<u>-</u>
Total activities	<u>\$3,188,543</u>	<u>\$2,286,235</u>	<u>\$30,759</u>	<u>\$9,386</u>

The accompanying notes are an integral part of these financial statements.

Net
(Expenses)
Revenues

\$(60,387)
(813,354)
(48,413)
(55,706)

(5,818)

(983,678)

180,143
(58,628)

121,515

\$862,163

CHIKAMING TOWNSHIP
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES, CONCLUDED
for the year ended March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expenses) revenues	<u>\$ (983,678)</u>	<u>\$ 121,515</u>	<u>\$ (862,163)</u>
General revenues:			
Property taxes	726,339	-	726,339
State-shared revenues	254,931	-	254,931
Interest and rentals	63,861	154,205	218,066
Special items:			
Gain from Joint Venture	-	20,705	20,705
Transfers - internal activities	<u>254,000</u>	<u>(254,000)</u>	<u>-</u>
Total general revenues and special items	<u>1,299,131</u>	<u>(79,090)</u>	<u>1,220,041</u>
Changes in net assets	315,453	42,425	357,878
Net assets, beginning of year	<u>5,170,754</u>	<u>10,015,159</u>	<u>15,185,913</u>
Net assets, end of year	<u>\$5,486,207</u>	<u>\$10,057,584</u>	<u>\$15,543,791</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

CHIKAMING TOWNSHIP

GOVERNMENTAL FUNDS
BALANCE SHEET

as of March 31, 2007

	<u>General</u>	<u>Special Revenue (Building Inspection)</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 971,435	\$72,182	\$1,043,617
Restricted cash	16,305	-	16,305
Taxes receivable	45,828	-	45,828
Due from other funds	34,450	-	34,450
Prepaid insurance	14,067	-	14,067
Total assets	<u>\$1,082,085</u>	<u>\$72,182</u>	<u>\$1,154,267</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>\$ 7,179</u>	<u>\$ 7,593</u>	<u>\$ 14,772</u>
Fund balances:			
Reserved for capital expenditures	16,305	-	16,305
Reserved for prepaid items	14,067	-	14,067
Unreserved reported in:			
General Fund	1,044,534	-	1,044,534
Special Revenue Fund	<u>-</u>	<u>64,589</u>	<u>64,589</u>
Total fund balances	<u>1,074,906</u>	<u>64,589</u>	<u>1,139,495</u>
Total liabilities and fund balances	<u>\$1,082,085</u>	<u>\$72,182</u>	<u>\$1,154,267</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

as of March 31, 2007

Fund balances of Governmental Funds	\$1,139,495
Amounts reported for governmental activities in the statement of net assets are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Add, capital assets	5,277,501
Deduct, accumulated depreciation	(812,311)
Long-term notes payable are notes due and payable in the current period and, therefore, are not reported in the funds:	
Deduct, note payable	<u>(145,230)</u>
Net assets of governmental activities	<u><u>\$5,459,455</u></u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

for the year ended March 31, 2007

	<u>General</u>	<u>Special Revenue (Building Inspection)</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 726,339	\$ -	\$ 726,339
Administrative fees	129,165	-	129,165
State-shared revenues	254,931	-	254,931
Licenses and permits	28,538	198,857	227,395
State grants	9,386	-	9,386
Charges for services	66,699	-	66,699
Interest income	52,761	-	52,761
Rentals	11,100	-	11,100
Donations	30,759	-	30,759
Miscellaneous	49,816	-	49,816
Total revenues	<u>1,359,494</u>	<u>198,857</u>	<u>1,558,351</u>
Expenditures:			
Legislative	9,354	-	9,354
General government	301,698	-	301,698
Public safety	723,818	200,387	924,205
Public works	48,413	-	48,413
Park Commission	42,645	-	42,645
Capital expenditures	1,175,004	-	1,175,004
Debt service:			
Principal	13,770	-	13,770
Interest	5,818	-	5,818
Total expenditures	<u>2,320,520</u>	<u>200,387</u>	<u>2,520,907</u>
Revenues over (under) expenditures	(961,026)	(1,530)	(962,556)
Other financing sources (uses):			
Transfers-in (out)	<u>473,000</u>	<u>(60,000)</u>	<u>413,000</u>
Net changes in fund balances	(488,026)	(61,530)	(549,556)
Fund balances, beginning of year	<u>1,565,932</u>	<u>126,119</u>	<u>1,692,051</u>
Fund balances, end of year	<u>\$1,077,906</u>	<u>\$ 64,589</u>	<u>\$1,142,495</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

for the year ended March 31, 2007

Net changes in fund balances of total Governmental Funds	\$ (549,556)
Amounts reported for governmental activities in the statement of activities are different because Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:	
Add, capital items purchased during year	1,175,004
Deduct, depreciation expense	(164,765)
Repayment of notes payable is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets:	
Deduct, proceeds of long-term debt	(159,000)
Add, principal payments on long-term liabilities	<u>13,770</u>
Changes in net assets of governmental activities	<u>\$ 315,453</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS

as of March 31, 2007

ASSETS	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Current assets:			
Cash and cash equivalents	\$ 184,773	\$1,731,398	\$ 1,916,171
Investment (certificate of deposit over 90 days)	-	102,140	102,140
Inventory, at cost	101,623	-	101,623
Accounts receivable	6,733	8,686	15,419
Assessments receivable, current portion	20,000	12,000	32,000
Due from (to) other funds	249	(249)	-
Note receivable, General Fund, current portion	-	13,276	13,276
Due from GRSD Sewer Authority	-	26,850	26,850
Prepaid rent	250	125	375
Prepaid insurance	5,058	-	5,058
Total current assets	318,686	1,894,226	2,212,912
Non-current assets:			
Restricted:			
Cash and cash equivalents	1,704,492	-	1,704,492
Investment (certificate of deposit over 90 days)	101,379	-	101,379
Capital assets, net	3,918,535	1,609,838	5,528,373
Assessments receivable, net of current portion	102,149	77,208	179,357
Note receivable, General Fund, net of current portion	-	131,954	131,954
Investment in Joint Venture	-	2,685,816	2,685,816
Bonded debt unamortized discount	9,616	-	9,616
Deferred debt service cost	20,198	-	20,198
Total non-current assets	5,856,369	4,504,816	10,361,185
Total assets	\$6,175,055	\$6,399,042	\$12,574,097

The accompanying notes are an integral part of these financial statements.

LIABILITIES	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Current liabilities:			
Accounts payable	\$ 140,415	\$ 30,226	\$ 170,641
Due to General Fund	25,654	5,544	31,198
Accrued interest payable	17,043	-	17,043
Meter deposits due customers	147,885	-	147,885
Bonds payable, current portion	180,000	-	180,000
Total current liabilities	<u>510,997</u>	<u>35,770</u>	<u>546,767</u>
Non-current liabilities:			
Bonds payable, net of current portion	2,020,000	-	2,020,000
Deferred amount on refunding	(50,254)	-	(50,254)
Total non-current liabilities	<u>1,969,746</u>	<u>-</u>	<u>1,969,746</u>
Total liabilities	<u>2,480,743</u>	<u>35,770</u>	<u>2,516,513</u>
Net assets:			
Invested in capital assets, net of related debt	1,768,789	1,609,838	3,378,627
Restricted for debt service	1,805,871	-	1,805,871
Unrestricted	119,652	4,753,434	4,873,086
Total net assets	<u>3,694,312</u>	<u>6,363,272</u>	<u>10,057,584</u>
Total liabilities and net assets	<u>\$6,175,055</u>	<u>\$6,399,042</u>	<u>\$12,574,097</u>

CHIKAMING TOWNSHIP

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

for the year ended March 31, 2007

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Operating revenues:			
Charges for services	\$ 946,658	\$ 439,412	\$ 1,386,070
Service installation	162,850	-	162,850
Hydrant rentals	18,698	-	18,698
Miscellaneous	4,985	1,075	6,060
Total operating revenues	<u>1,133,191</u>	<u>440,487</u>	<u>1,573,678</u>
Operating expenses:			
Water purchases	328,459	-	328,459
Sewage treatment	-	342,367	342,367
Materials and supplies	74,950	-	74,950
Salaries and wages	165,604	45,210	210,814
Payroll taxes	12,192	2,470	14,662
Insurance and employee benefits	69,567	13,611	83,178
Office supplies and expense	1,734	217	1,951
Repairs and maintenance	1,786	6,134	7,920
Computer expense	5,734	97	5,831
Mileage and travel	13,618	-	13,618
Professional services	8,178	2,900	11,078
Booster station expense	26,806	-	26,806
Pumphouse operations	69,707	-	69,707
Rent	4,500	2,400	6,900
Utilities	3,435	2,088	5,523
Postage	2,615	2,739	5,354
Miss Dig	193	-	193
Engineering fees	15,322	-	15,322
Subcontractors	36,282	-	36,282
Debt service expense	577	-	577
Bond paying agent charges	800	-	800
Depreciation	116,972	138,857	255,829
Property insurance	19,245	-	19,245
Meter upgrade program	24,840	-	24,840
Miscellaneous	16,146	11,432	27,578
Total operating expenses	<u>1,019,262</u>	<u>570,522</u>	<u>1,589,784</u>
Operating income (loss)	<u>113,929</u>	<u>(130,035)</u>	<u>(16,106)</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS, CONCLUDED
 for the year ended March 31, 2007

	Business-Type Activities Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Non-operating revenues (expenses):			
Interest and dividends from investments	\$ 72,698	\$ 67,733	\$ 140,431
Interest income from special assessments	2,743	5,213	7,956
Other interest income	-	5,818	5,818
Loss on disposal of assets	(11,000)	-	(11,000)
Interest expense	(90,861)	-	(90,861)
Net gain from Joint Venture	-	20,705	20,705
Special assessments	<u>168,075</u>	<u>71,407</u>	<u>239,482</u>
Total non-operating revenues (expenses)	<u>141,655</u>	<u>170,876</u>	<u>312,531</u>
Income before transfers-out	255,584	40,841	296,425
Transfers-out	<u>(100,000)</u>	<u>(154,000)</u>	<u>(254,000)</u>
Changes in net assets	155,584	(113,159)	42,425
Net assets, beginning of year	<u>3,538,728</u>	<u>6,476,431</u>	<u>10,015,159</u>
Net assets, end of year	<u>\$3,694,312</u>	<u>\$6,363,272</u>	<u>\$10,057,584</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP

 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS

for the year ended March 31, 2007

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities:			
Receipts from customers	\$1,145,979	\$ 436,727	\$1,582,706
Payments to suppliers	(744,102)	(388,112)	(1,132,214)
Payments to employees	(165,604)	(45,210)	(210,814)
Net cash provided by operating activities	<u>236,273</u>	<u>3,405</u>	<u>239,678</u>
Cash flows from investing activities:			
Investment income received	75,444	78,764	154,208
Special assessment income received	78,869	83,628	162,497
Increase in investments	(1,379)	(2,140)	(3,519)
Payments from GRSD Sewer Authority	-	27,550	27,550
Increase in note receivable	-	(145,230)	(145,230)
Net cash provided by investing activities	<u>152,934</u>	<u>42,572</u>	<u>195,506</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,014,631)	(239,110)	(1,253,741)
Proceeds from debt issuance	995,000	-	995,000
Principal paid on capital debt	(130,000)	-	(130,000)
Bond interest payments	(73,818)	-	(73,818)
Debt discounts and deferred debt service costs	(30,394)	-	(30,394)
Net cash used in capital and related financing activities	<u>(253,843)</u>	<u>(239,110)</u>	<u>(492,953)</u>
Cash flows from non-capital financing activities:			
Transfers to other funds	<u>(100,000)</u>	<u>(154,000)</u>	<u>(254,000)</u>
Net increase (decrease) in cash and cash equivalents	35,364	(347,133)	(311,769)
Cash and cash equivalents, beginning of year	<u>1,853,901</u>	<u>2,078,531</u>	<u>3,932,432</u>
Cash and cash equivalents, end of year	<u>\$1,889,265</u>	<u>\$1,731,398</u>	<u>\$3,620,663</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS, CONCLUDED
 for the year ended March 31, 2007

	Business-Type Activities Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 113,929	\$ (130,035)	\$ (16,106)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	117,549	138,857	256,406
Changes in assets and liabilities:			
Decrease (increase) in:			
Inventory, at cost	(69,019)	-	(69,019)
Accounts receivable	(3,925)	(3,760)	(7,685)
Increase (decrease) in:			
Accounts payable	61,026	(1,657)	59,369
Meter deposits due customers	9,105	-	9,105
Deferred revenues	<u>7,608</u>	<u>-</u>	<u>7,608</u>
Net cash provided by operating activities	<u>\$ 236,273</u>	<u>\$ 3,405</u>	<u>\$ 239,678</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
FIDUCIARY FUND
STATEMENT OF ASSETS AND LIABILITIES
as of March 31, 2007

TRUST AND AGENCY FUND

Assets:

Cash and cash equivalents

\$3,252

Liabilities:

Due to General Fund

\$3,252

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of Chikaming Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Chikaming Township.

A. REPORTING ENTITY.

Chikaming Township was established by the Board of Supervisors on March 4, 1856. The Township operates under an elected five member Board consisting of a supervisor, clerk, treasurer and two trustees and provides the following services: public safety (police and fire), ambulance, water, sewer, recreation, planning and zoning, and general administrative services.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.

The Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for Governmental Funds, Proprietary Funds and Fiduciary Funds, even though the latter are excluded from the Government-wide financial statements. Major individual Governmental Funds and major Enterprise Funds are reported as separate columns in the Fund financial statements.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION.

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Funds and Fiduciary Fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Property taxes are levied on December 31 and payable in two installments on February 14 and September 14. The Township bills and collects its own property taxes and also the taxes for the County, State of Michigan and two school districts. Collections of the taxes and remittance of them are accounted for in the Current Tax Collection Fund. Property tax revenues are recognized when levied to the extent that they result in current receivables.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

Chikaming Township reports the following major Governmental Funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Inspection Fund (a Special Revenue Fund) accounts for the revenues and expenditures related to the activities of the Inspection Department.

Chikaming Township reports the following major Proprietary Funds:

The Water and Sewer Funds account for the activities of the water distribution system and sewage collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the Government-wide and Proprietary Fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to (to also) follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of our Proprietary Funds relate to charges to customers for sales and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenues. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenues. Operating expenses for Proprietary Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY.

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund financial statements.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the County being held for the construction or debt service of the local unit of government's water and sewer lines.

Capital Assets - Capital assets, which include property, plant and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items constructed or acquired after 1980) are reported in the applicable governmental or business-type activities column in the Government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were assets under construction which were financed with internal funds.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	30 to 50 years
Building improvements	15 to 30 years
Land improvements	10 to 20 years
Water and sewer lines	25 to 40 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years
Other equipment	5 to 12 years

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED.

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but not unused sick and vacation pay benefits. There is no liability for unpaid accumulated vacation and sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

Long-Term Obligations - In the Government-wide financial statements and the Proprietary Fund types in the Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the Fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the Fund financial statements, Governmental Funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balances represent tentative management plans that are subject to change.

Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all Governmental Funds. All appropriations lapse at fiscal year end. The Township performs the following procedures in establishing the budgetary data reflected in the Fund financial statements:

1. The Township Board prepares a proposed operating budget for the fiscal year commencing April 1. The operating budget for the Enterprise Funds is also prepared by the Township Board. These operating budgets include proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.
3. The budget is formally adopted at a duly posted special meeting following the public budget hearing.
4. Transfers or amendments to the budget may only be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds.

Excess of Expenditures over Appropriations in Major Budgeted Funds

General Fund and Building Inspection (Special Revenue) Funds:

There were no major budgeted funds that had expenditures exceeding appropriations.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 3. DEPOSITS AND INVESTMENTS.

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated six (6) banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 3. DEPOSITS AND INVESTMENTS, CONCLUDED.

At March 31, 2007, the Township's deposits and investments were reported in the basic financial statements by the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Restricted:				
Cash and cash equivalents	\$ 16,305	\$1,704,492	\$ -	\$1,720,797
Investments	-	101,379	-	101,379
Unrestricted:				
Cash and cash equivalents	1,043,617	1,916,171	3,252	2,963,040
Investments	-	102,140	-	102,140
	<u>\$1,059,922</u>	<u>\$3,824,182</u>	<u>\$3,252</u>	<u>\$4,887,356</u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking, savings, money market accounts, certificates of deposit)	\$4,357,308
Investment (certificate of deposit over 90 days)	203,519
Money market funds (U.S. Treasury insured)	326,529
	<u>\$4,887,356</u>

The following is a schedule of insured and uninsured Bank deposits of the Township as of March 31, 2007:

	<u>Insured</u>	<u>Uninsured</u>	<u>Total</u>
Bank of New York	\$ 326,529	\$ -	\$ 326,529
Berrien Teachers Credit Union	100,000	2,140	102,140
Edgewater Bank	100,000	1,379	101,379
Fifth Third Bank	247,915	308,108	556,023
Horizon Bank	300,000	1,907,158	2,207,158
New Buffalo Savings Bank	200,000	1,394,127	1,594,127
	<u>\$1,274,444</u>	<u>\$3,612,912</u>	<u>\$4,887,356</u>

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 4. RECEIVABLES.

Receivables as of March 31, 2007 for the Township's individual major and non-major funds, and Fiduciary Fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Revenue Fund	Water and Sewer Funds	Other Funds	Total
Taxes receivable	\$45,828	\$ -	\$ -	\$ -	\$ 45,828
Accounts receivable	-	-	15,419	-	15,419
Special assessments	-	-	211,357	-	211,357
Intergovernmental	-	-	26,850	-	26,850
Gross receivables	45,828	-	253,626	-	299,454
Less, allowance for uncollectibles	-	-	-	-	-
Net receivables	<u>\$45,828</u>	<u>\$ -</u>	<u>\$253,626</u>	<u>\$ -</u>	<u>\$299,454</u>

Note 5. INTERFUND RECEIVABLES AND PAYABLES.

Fund	Interfund Receivables	Fund	Interfund Payables
General	\$34,450	Trust and Agency	\$ 3,252
		Water	25,654
		Sewer	5,544
	<u>\$34,450</u>		<u>\$34,450</u>

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 6. CAPITAL ASSETS.

Capital asset activity of the Township for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$1,882,301	\$ -	\$ -	\$1,882,301
Construction in progress	<u>171,673</u>	<u>-</u>	<u>171,673</u>	<u>-</u>
Subtotal	<u>2,053,974</u>	<u>-</u>	<u>171,673</u>	<u>1,882,301</u>
Capital assets being depreciated:				
Buildings	918,453	879,570	-	1,798,023
Improvements other than buildings	352,347	-	-	352,347
Machinery and equipment	<u>827,685</u>	<u>467,108</u>	<u>23,212</u>	<u>1,271,581</u>
Subtotal	<u>2,098,485</u>	<u>1,346,678</u>	<u>23,212</u>	<u>3,421,951</u>
Less, accumulated depreciation for:				
Buildings	100,165	40,042	-	140,207
Improvements other than buildings	43,023	19,462	-	62,485
Machinery and equipment	<u>527,569</u>	<u>105,261</u>	<u>23,212</u>	<u>609,618</u>
Subtotal	<u>670,757</u>	<u>164,765</u>	<u>23,212</u>	<u>812,310</u>
Net capital assets being depreciated	<u>1,427,728</u>	<u>1,181,913</u>	<u>-</u>	<u>2,609,641</u>
Governmental activities capital assets, net of depreciation	<u>\$3,481,702</u>	<u>\$1,181,913</u>	<u>\$171,673</u>	<u>\$4,491,942</u>

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 6. CAPITAL ASSETS, CONCLUDED.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 11,000	\$287,225	\$11,000	\$ 287,225
Construction in progress	<u>-</u>	<u>207,556</u>	<u>-</u>	<u>207,556</u>
Subtotal	<u>11,000</u>	<u>494,781</u>	<u>11,000</u>	<u>494,781</u>
Capital assets being depreciated:				
Infrastructure	8,326,071	758,962	-	9,085,033
Machinery and equipment	<u>260,106</u>	<u>-</u>	<u>-</u>	<u>260,106</u>
Subtotal	<u>8,586,177</u>	<u>758,962</u>	<u>-</u>	<u>9,345,139</u>
Less, accumulated depreciation for:				
Infrastructure	3,820,758	247,794	-	4,068,552
Machinery and equipment	<u>234,958</u>	<u>8,037</u>	<u>-</u>	<u>242,995</u>
Subtotal	<u>4,055,716</u>	<u>255,831</u>	<u>-</u>	<u>4,311,547</u>
Net capital assets being depreciated	<u>4,530,461</u>	<u>503,131</u>	<u>-</u>	<u>5,033,592</u>
Business-type activities capital assets, net of depreciation	<u>\$4,541,461</u>	<u>\$997,912</u>	<u>\$11,000</u>	<u>\$5,528,373</u>

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities:

General government	\$ 54,312
Public safety	83,722
Park Commission	22,447
Building Inspection	<u>4,284</u>

Total Governmental Activities \$164,765

Business-Type Activities:

Water	\$116,974
Sewer	<u>138,857</u>

Total Business-Type Activities \$255,831

Construction Commitments - The Township had no material water or sewer extension projects in progress at March 31, 2007.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 7. GENERAL FUND RESTRICTED ASSETS.

The restricted assets of the General Fund represent cash and certificates of deposit to be used for the purchase of capital improvements as follows:

Park Board	<u>\$16,305</u>
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Note 8. JOINT VENTURE - PROPRIETARY FUND.

Chikaming Township participates in a Joint Venture with New Buffalo Township, Lake Charter Township and the cities of Bridgman and New Buffalo. The purpose of the Venture, called the GRSD Sewer Authority (the "Authority"), is to provide sanitary sewage treatment and collection facilities for the residences of those communities.

The Authority is governed by a joint board of six members consisting of one member from each of the participating municipalities appointed by their respective governing bodies, and a sixth-at-large member appointed by the other five members.

Upon dissolution of the Authority, net assets will be shared on a pro-rata basis as follows:

Chikaming Township	28.6%
City of Bridgman	16.6%
City of New Buffalo	21.6%
Lake Charter Township	16.6%
New Buffalo Township	16.6%

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 8. JOINT VENTURE - PROPRIETARY FUND, CONCLUDED.

Chikaming Township is accounting for its investment in the Authority as a Joint Venture in accordance with GASB Statement No. 14. Information presented below is taken from financial statements of the Authority for the year ended December 31, 2006, audited by other independent accountants, whose report dated May 11, 2007, expressed an unqualified opinion on those statements.

Total assets	\$15,397,217
Total liabilities	<u>59,521</u>
Net assets	<u><u>\$15,337,696</u></u>
Operating revenues	\$ 1,724,310
Operating expenses	<u>1,686,721</u>
Operating income	37,589
Non-operating income	<u>34,806</u>
Change in net assets	72,395
Net assets, beginning of year	<u>15,265,301</u>
Net assets, end of year	<u><u>\$15,337,696</u></u>

Complete financial statements for the GRSD Sewer Authority may be obtained at the Authority's administrative office:

RSD Sewer Authority
10831 Kruger Road
New Buffalo, Michigan 49117

The Township's net investment and its share of the operating results of the Authority are reported in the Township's Sewer Fund. The Township's equity interest was \$2,685,816 as of December 31, 2006.

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 9. LONG-TERM DEBT.

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>
BUSINESS-TYPE ACTIVITIES			
Water System Supply Revenue Refunding Bonds, Series 1994 (non-refundable bonds)	5.9%-6.5%	5/1/2014	\$ 125,000
Water System Supply Revenue Refunding Bonds, Series 2001 (refunds callable, Series 1994)	4.45%-5.5%	5/1/2014	1,210,000
General Obligation Limited Tax Bonds, Series 2006	3.7%-4.2%	11/1/2021	<u>-</u>
			<u>\$1,335,000</u>

<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$(10,000)	\$ 115,000	\$ 10,000
(120,000)	1,090,000	125,000
<u>995,000</u>	<u>995,000</u>	<u>45,000</u>
<u>\$865,000</u>	<u>\$2,200,000</u>	<u>\$180,000</u>

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 9. LONG-TERM DEBT, CONCLUDED.

WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS

On October 1, 2001, the Chikaming Township Water Department issued \$1,485,000 Water Supply System Revenue Refunding Bonds, Series 2001. The purpose of the bonds is to finance an advance refunding of a portion of the outstanding Water Supply System Revenue and Revenue Refunding Bonds, Series 1994, and to pay the cost of issuing the bonds.

Interest is payable semi-annually on May 1 and November 1 of each year commencing May 1, 2002. Interest rates range from 4.35% to 5.50%. The bonds are fully matured in 2014.

A deferred loss of \$95,000 was recognized as a result of this refunding, amortized over the 13 year life of the new debt. Annual amortization of \$7,308 is recorded as an addition to interest expense.

GENERAL OBLIGATION LIMITED TAX BONDS, SERIES 2006

On November 9, 2006, the Chikaming Township Water Department issued \$995,000 General Obligation Limited Tax Bonds, Series 2006. The purpose of the bonds is to pay for the cost of certain capital improvements for the Township.

The bonds bear interest from their date payable on May 1, 2007, and semi-annually thereafter, at rates ranging from 3.7% to 4.2%.

Bonds of this issue maturing in the years 2007 to 2014, inclusive, are not subject to redemption prior to maturity. Bonds or portions of bonds of this issue in multiples of \$5,000 maturing in the year 2015 and thereafter shall be subject to redemption prior to maturity, at the option of the Township.

Annual debt service requirements to maturity for the above obligations are as follows:

Fiscal Year Ending March 31,	Water Fund		
	Principal	Interest	Total
2008	\$ 180,000	\$ 99,961	\$ 279,961
2009	195,000	90,508	285,508
2010	200,000	80,604	280,604
2011	215,000	70,414	285,414
2012	220,000	59,496	279,496
Later years	1,190,000	209,750	1,399,750
	<u>\$2,200,000</u>	<u>\$610,733</u>	<u>\$2,810,733</u>

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 10. RETIREMENT PLANS.

The Township has two retirement plans covering substantially all of its full time employees.

Defined Contribution Pension Plan

In 1971, the Township established the Chikaming Township Pension Plan, a defined contribution money purchase pension plan under Section 457 of the Internal Revenue Code. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The following is information of the Plan:

- | | |
|-----------------------------|---|
| . Eligibility requirements: | All full time employees and elected officials age 18 with zero years of service |
| . Normal retirement age: | Age 65 |
| . Early retirement age: | Age 55 |
| . Vesting: | 100% at time of contribution |
| . Contribution limits: | Employer - 9% of compensation with \$225 minimum
Employee - 1% of compensation with \$75 minimum |
| . Benefit determination: | Accumulated amount in Plan at termination date |
| . Latest revision date: | April 1, 1997 |

All funds are invested in John Hancock Life Insurance Company guaranteed accounts. Current year contributions are \$12,468 and \$2,690 for the employer and employee, respectively.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Note 10. RETIREMENT PLANS, CONTINUED.

Defined Benefit Pension Plan

Plan Description - Effective January 1, 2006, the Township began participation in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to:

MERS
1134 Municipal Way
Lansing, Michigan 48917

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by a Township Board resolution and requires the employees to contribute 3% of their gross pay to the Plan. The participants of the Defined Contribution Pension Plan could voluntarily transfer their individual plan balance to this new plan, or remain with the Defined Benefit Pension Plan. New employees are required to join the Defined Benefit Pension Plan.

Annual Pension Cost - For the year ended March 31, 2007, the Township's pension cost of \$8,921 was contributed for this Plan. Additionally, employees contributed \$3,431 to the Plan.

The formula for determination of the annual pension cost upon normal retirement is as follows:

Selected Multiplier (1.7%) times years of Credited Service
times Final Average Compensation.

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS, CONCLUDED

March 31, 2007

Note 10. RETIREMENT PLANS, CONCLUDED.

There are two types of plans within the Defined Benefit Pension Plan, called the "In-Office" Plan and "Out-of-Office" Plan. Details are as follows:

	<u>In-Office Plan</u>	<u>Out-of-Office Plan</u>
. Multiplier percent of final average compensation:		
Average over 3 years	1.7%	
Average over 5 years		1.7%
. Vesting period	6 years	10 years
. Normal retirement age	Age 60	Age 60
. Early retirement age with 25 years service	N/A	Age 55
. Disability benefit	No	Yes

These two plans require an employer contribution based on actuarial valuations, which would be paid on the gross (base plus overtime) salary of the participant. The employee in each plan contributes 3% of their gross salary.

Note 11. RISK MANAGEMENT.

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

CHIKAMING TOWNSHIP
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
for the year ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 712,200	\$ 712,200	\$ 726,339	\$ 14,139
Administrative fees	115,000	115,000	129,165	14,165
State-shared revenues	251,800	251,800	254,931	3,131
Licenses and permits	6,910	6,910	28,538	21,628
State grants	-	-	9,386	9,386
Charges for services	75,500	75,500	66,699	(8,801)
Interest income	15,000	15,000	52,761	37,761
Rentals	11,100	11,100	11,100	-
Donations	-	-	30,759	30,759
Micellaneous	20,000	20,000	49,816	29,816
Total revenues	<u>1,207,510</u>	<u>1,207,510</u>	<u>1,359,494</u>	<u>151,984</u>
Expenditures:				
Legislative	11,750	8,750	9,354	604
General government:				
Supervisor	95,871	90,871	90,225	(646)
Elections	7,800	8,800	6,784	(2,016)
Clerk	47,177	42,177	40,580	(1,597)
Treasurer	35,818	37,818	36,779	(1,039)
Board of Review	3,800	3,800	2,214	(1,586)
Cemetery	63,955	44,455	42,399	(2,056)
Other general government	87,388	87,388	82,717	(4,671)
Public safety:				
Police and liquor law enforcement	427,500	450,500	428,898	(21,602)
Fire protection	123,050	136,050	147,897	11,847
Planning and zoning	42,700	30,700	29,504	(1,196)
First responder service	141,100	137,100	117,519	(19,581)

CHIKAMING TOWNSHIP
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE, CONCLUDED

for the year ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures, Concluded:				
Public works:				
Highway lighting	\$ 23,500	\$ 23,500	\$ 23,321	\$ (179)
Road maintenance	27,500	27,500	21,087	(6,413)
County drain-at-large	3,000	4,500	4,005	(495)
Park Commission	53,900	53,900	42,645	(11,255)
Capital expenditures	1,085,500	1,093,500	1,175,004	81,504
Debt service:				
Principal	10,500	10,500	13,770	3,270
Interest	4,500	4,500	5,818	1,318
Total expenditures	<u>2,296,309</u>	<u>2,296,309</u>	<u>2,320,520</u>	<u>24,211</u>
Revenues over (under) expenditures	(1,088,799)	(1,088,799)	(961,026)	127,773
Other financing sources:				
Transfers-in	<u>362,500</u>	<u>362,500</u>	<u>473,000</u>	<u>110,500</u>
Net change in fund balance	(726,299)	(726,299)	(488,026)	238,273
Fund balance, beginning of year	<u>1,565,932</u>	<u>1,565,932</u>	<u>1,565,932</u>	<u>-</u>
Fund balance, end of year	<u>\$ 839,633</u>	<u>\$ 839,633</u>	<u>\$1,077,906</u>	<u>\$238,273</u>

CHIKAMING TOWNSHIP
BUILDING INSPECTION FUND
BUDGETARY COMPARISON SCHEDULE
for the year ended March 31, 2007

	<u>Budgeted</u>	<u>Amounts</u>	<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Over (Under)</u>
			<u>Basis)</u>	<u>Final Budget</u>
Revenues:				
Licenses and permits	\$183,200	\$196,800	\$198,857	\$ 2,057
Expenditures:				
Public safety	<u>236,900</u>	<u>254,900</u>	<u>200,387</u>	<u>(54,513)</u>
Revenues over (under)				
expenditures	(53,700)	(58,100)	(1,530)	56,570
Other financing uses:				
Transfers-out	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>
Net change in				
fund balance	(53,700)	(58,100)	(61,530)	(3,430)
Fund balance, beginning				
of year	<u>126,119</u>	<u>126,119</u>	<u>126,119</u>	<u>-</u>
Fund balance, end of year	<u>\$ 72,419</u>	<u>\$ 68,019</u>	<u>\$ 64,589</u>	<u>\$(3,430)</u>

HUTTER & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

330 COMMERCE SQUARE

P.O. BOX 329

MICHIGAN CITY, INDIANA 46361

JAMES R. HUTTER, CPA

MATTHEW E. HOLLANDER, CPA

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www.huttercpa.com

June 22, 2006

Honorable Members of the
Township Board
Chikaming Township
Berrien County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of Chikaming Township, Berrien County Michigan, as of and for the year ended March 31, 2007, which collectively comprise Chikaming Township, Berrien County Michigan's basic financial statements and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chikaming Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. (See attached schedule of comments and recommendations.) Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, misstatements due to error or fraud may occur and not be detected by such controls.

Chikaming Township
June 26, 2007
Page 2

This report is intended for the information and use of the Township Board, management, and others within the Township, and the Michigan Department of Treasury, and not intended to be, and should not be, used by anyone other than these specified parties.

Leith & Associates, P.C.

Chikaming Township

SCHEDULE OF COMMENTS AND RECOMMENDATIONS

Proper Use of Tax Collection Bank Account:

During the course of our audit, we observed that the collection of tax receipts were commingled with a savings account of the General Fund.

The Fifth Third Bank tax account, used for the collection of tax receipts, was commingled with a savings account of the General Fund, at the recommendation an officer of the bank. The purpose was to enhance the earnings potential of the savings account. At year end, the only amount remaining in this account was the savings amount attributed to the General Fund. This was the first year these two accounts were commingled.

We recommend that the tax collections be deposited in a separate bank account in the name of the treasurer, as required by the Michigan Department of Treasury Uniform Accounting Procedures Manual. Separate accounts will also ease the reconciliation tasks at the end of any month.